

Manager Recommendation Memo

May 17, 2023

Board of Trustees
Commonwealth of Pennsylvania, Public School Employees' Retirement System ("PSERS")
5 North Fifth Street
Harrisburg, PA 17101

Re: PIMCO Commercial Real Estate Debt Fund II, L.P.

Dear Trustees:

Aksia LLC ("Aksia"), having been duly authorized by the Board of PSERS, has evaluated and hereby recommends, a commitment of \$200 million, plus reasonable, normal investment expenses, to PIMCO Commercial Real Estate Debt Fund II, L.P. (the "Fund" or "PCRED II").

Pacific Investment Management Company, LLC ("PIMCO," or the "GP") was founded as a subsidiary of Pacific Life Insurance Company and was later acquired by Allianz SE, a large global financial services company. The GP is headquartered in Newport Beach, California and manages over \$2 trillion in assets, including over \$43 billion in alternative strategies.

The Fund is the second vintage of PIMCO's Commercial Real Estate ("CRE") credit strategy that primarily focuses on large first mortgages backed by transitional CRE in major U.S. markets. PCRED II is expected to be similar in strategy to the first vintage, and also adds a new 10-20% allocation to international developed economies. PIMCO has raised \$2.8 billion of capital for the Fund, relative to its target of \$2.0 to \$3.0 billion. The Fund achieved a first close in October 2021 and has since deployed approximately 23% of LP commitments across 21 investments as of December 2022. The Fund expects to hold a final close in the coming months.

Similar to the first PCRED fund, PSERS has negotiated a favorable fee arrangement with respect to the Fund's management fees.

Aksia's recommendation to commit as described above is based upon the following analytical factors and is made within the context of PSERS' investment guidelines:

- Due diligence of the Fund's investment process, including a review of the management company, investment team, strategy and risk, and track record;
 - Most recent investment due diligence review conducted April 2023
- Due diligence of the Fund's operations, including a review of its organizational structure, service providers, regulatory and compliance, and financial statement analysis;
 - Most recent operational due diligence review conducted April 2023
- Evaluation of the Fund's strategy within the context of the current investment environment; and
- Appropriateness of the Fund's strategy as a component of PSERS' portfolio

This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives, and circumstances may not be identical to those of PSERS. In addition, please consult your tax, legal and/or regulatory advisors before allocating to any private investment fund.

Please feel free to contact us should you have any questions about this recommendation.

Respectfully,



Tim Nest
Partner, Head of Private Credit



Simon Fludgate
Partner, Head of Operational Due Diligence